PROVINCE OF SASKATCHEWAN

REPORT OF THE PROVINCIAL AUDITOR

TO THE LEGISLATIVE ASSEMBLY

FOR THE

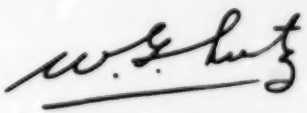
YEAR ENDED MARCH 31

1983

To the Members of the Legislative Assembly

I have the honour to submit to the Legislative Assembly, this report, upon the examination of the accounts of the Government of the Province of Saskatchewan for the fiscal year ending March 31, 1983, to be laid before the Assembly in accordance with the provisions of Section 14 of The Provincial Auditor Act.

Respectfully Submitted,



Regina, Saskatchewan,
February 14, 1984.

W. G. Lutz, F.C.A.,
Provincial Auditor.

REPORT OF THE PROVINCIAL AUDITOR
1983

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REPORT OF THE PROVINCIAL AUDITOR TO THE LEGISLATIVE ASSEMBLY FOR THE FISCAL YEAR ENDED MARCH 31, 1983

1.

INTRODUCTION

1.1 General

Sections 20 to 32, inclusive, of The Department of Finance Act, R.S.S. 1978, governed the appointment of the Provincial Auditor and his staff, the powers of the Provincial Auditor and his responsibilities to audit and report prior to May 18, 1983 at which date The Provincial Auditor Act was proclaimed and The Department of Finance Act was repealed. This new Act contains the same responsibilities for the Provincial Auditor to audit and report as the old Department of Finance Act.

I am pleased to report that the new Provincial Auditor Act has eliminated two of the serious concerns I drew to the attention of the Legislative Assembly in my 1982 annual report.

- the new act now provides sufficient independence from the central agencies of the government to ensure that my office is not subject to pressure from the administration which would reduce my ability to serve the Legislative Assembly.

- the new act presently provides the necessary authority for me to discharge the Legislative Assembly's auditing and reporting requirements where another auditor has been appointed by the government to audit the accounts of a crown agency.

Last year I reported a third serious concern which was that the legislation existing at that time did not explicitly provide that I examine, ascertain and report to the Legislative Assembly whether there had been due regard for economy, efficiency and effectiveness in the administration of the government's affairs.

The Public Accounts Committee recently discussed this matter at length and recommended to the Legislative Assembly on November 23, 1982 that:

> "The Committee review the question of comprehensive auditing two audits hence."

I am of the opinion that while the new act does not explicitly require the Provincial Auditor to audit for and report upon matters relating to economy, efficiency and effectiveness, the power to so do is implied within the provisions of The Provincial Auditor Act. It is my intention not to expand the auditing and reporting presently done by my office to encompass economy, efficiency and effectiveness matters at the present time.

I will await the review and recommendations of the Committee as to whether my office should expand the scope of audits to encompass matters relating to economy, efficiency and effectiveness.

1.2 Cost to Discharge the Legislative Assembly's Audit Requirements

The audit requirements contained in sections 20 to 32 of The Department of Finance Act, Chapter D-15 (repealed) are the same audit requirements as are contained in The Provincial Auditor Act, Chapter P-30.01. The costs to discharge these requirements are charged to the consolidated fund, except where another auditor is appointed to carry out some of the audit requirements of the Legislative Assembly. Where another auditor is appointed, these costs are not presently appropriated and paid out of the consolidated fund. To fully disclose the cost of the audit requirements of the Legislative Assembly, I have obtained the fees for all agencies of the crown audited by another auditor.

Following is a summary of costs to discharge the audit requirements contained in The Provincial Auditor Act:

	Actual	Projected	
	1982/1983 Actual	1983/1984 Appropriated	1984/1985 Requested from Treasury Board
Salaries	$2,669,041	$2,775,200	$2,797,646**
Other	374,778	322,340	292,640
Rent (Net)	240,563	243,499	247,700
Fringe Benefits	178,250	210,734	229,698
Travel	123,920	156,870	169,070
Total charge to Consolidated Fund	3,586,552	$3,708,643	$3,736,754
Other auditors*			
- Community Colleges	81,483	Not	Not
- Corporations	582,805	Available	Available
	664,288		
Total Cost	$4,250,840		

*These amounts include fees for 15 Community Colleges and 8 Corporations.

**Plus any general salary increases to be centrally provided by Treasury Board.

2.

RESULTS OF EXAMINATIONS

In this section of my report, comments are made on the results of examinations pursuant to the provisions of The Provincial Auditor Act. My office emphasizes systems based auditing in the course of performing the various audits for which I am responsible. This methodology entails a review and evaluation of internal control systems implemented by management to safeguard assets, ensure compliance with authorities and ensure the reliability of accounting records. Transaction tests are normally limited to those necessary to establish that identified control strengths can be relied upon or conversely to establish the extent to which control weaknesses may have permitted errors to occur.

The observations made in connection with audits performed in the above described manner have traditionally been used as the basis for reporting the results of my examinations. These observations are initially reflected in management letters generally addressed to the Minister in charge of the entity audited. As in the past, a compendium of these management letters has been prepared for the use of the Standing Committee on Public Accounts. The observations which follow are the more significant matters included in these letters, together with certain cases which I am required to report under Section 12 of The Provincial Auditor Act.

2.1 Comments on Systems to Ensure That Money Has Been Applied to the Purposes for Which It Was Appropriated by the Legislature and the Expenditures Have Adequate Statutory Authority

2.1.1 Virements

Under the provisions of The Department of Finance Act, 1983, the Minister of Finance is permitted by virement to authorize and direct the transfer of appropriated sums (as identified in the estimates) from one subvote to another subvote, in the same vote, to the extent that those sums have not been previously committed or expended. The net effect of all virements made is to be included in each fiscal year in the public accounts.

I have commented in previous reports to the Legislative Assembly that expenditures authorized by the virement procedure constitute changes to the government's fiscal plan

and indeed, in the case of increases, constitute spending authority for the purposes in question in excess of amounts appropriated by the Legislature. Virements are not currently the subject of legislative review and debate since, unlike special warrants, they are not considered deemed appropriations to be incuded in the next ensuing Appropriation Act. I recommended in my previous report that consideration be given to amending the governing legislation so as to provide the Legislative Assembly with equivalent mechanisms for review and approval for virements as presently exist for special warrants.

In October of 1982 the Minister of Finance delegated the authorization of virements to the Deputy Minister of Finance and, according to correspondence issued to departments in August, 1983, further administrative changes governing the issuing of virements are currently under consideration. Apart from the legal question of whether the delegation of such authority constitutes an administrative function which may be delegated under The Interpretations Act or whether it constitutes a legislative function which cannot be delegated without specific legislative authority, I am concerned that control over the expenditure of public money as exercised by the Legislative Assembly is further weakened by such measures. Accordingly, I continue to recommend that the governing legislation be amended so that increases in spending authorized by virements are accorded equivalent mechanisms for review and approval as are provided for special warrants.

2.1.2 Department of Social Services

(1) Social Assistance Payments

The nature of social assistance payments makes it difficult to have an ideal system of rules and procedures in place to ensure that, before a payment is made, only bonafide recipients receive only authorized payments, while being responsive to the needs of the recipients. The Department of Social Services has introduced a post audit function through its verification unit of the Income Support Division to review social assistance payments.

I requested reports from officials of the Verification Unit of the Department regarding the results of their reviews including their estimate of the total amount of overpayments. The officials were unable to provide me with reports resulting from their audits.

In addition, the Department has not determined a policy as to when the level of overpayments is of such significance that existing rules and procedures should be changed to reduce the level of overpayments.

Therefore, it is my opinion, that the rules and procedures applied were not sufficient to ensure that only bonafide recipients received eligible assistance.

(2) Community and Employment Services Branch

The Community and Employment Services Branch of the Department of Social Services administers a grant program intended for community and social service organizations.

Each such grant to these organizations contains a condition which requires the grantee to submit appropriate financial statements to the Department to assist officials of the Department in determining if the funds are used for the intended purpose.

The Department had no follow-up procedures to ensure that the financial statements were received from each grantee. In addition in a number of instances when financial statements were received from grantees it was observed that insufficient information was available to ensure that the money was applied to the intended purpose.

Therefore, in my opinion, the rules and procedures applied by the Department were not sufficient to ensure that the grantees used the money for the purpose intended.

2.1.3 Alcoholism Commission of Saskatchewan

The Saskatchewan Alcoholism Commission has negotiated agreements with various outside organizations which state the amount of grant and the requirements for the outside organizations to account for the use of the funds granted. The agreements included requirements for monthly financial statements plus annual audited financial statements to be submitted to the Commission to assist officials of the Commission in determining whether the granted funds have been used for the intended purpose.

Four of the organizations receiving grants did not send in all of their monthly financial statements for 1982/83. In addition twelve of the sixteen grantees' files reviewed indicated that audited financial statements had not been submitted for the prior year. In my opinion, this lack of compliance by the grantee with the terms and conditions of the grants and the lack of follow-up by management results in the management of the Commission being unable to determine if the granted funds were used for the intended purpose.

2.1.4 Saskatchewan Housing Corporation

The Corporation administers a number of programs to assist families and individuals to obtain adequate housing. Limitations on this assistance have been imposed pursuant to the Saskatchewan Housing Corporation Regulations. The Corporation's procedures have not ensured compliance with the upper limit of financial assistance and the eligibility criteria imposed by the regulations as they relate to the Co-op Housing, Farm Housing, Saskatchewan Family Home Purchase and the Residential Rehabilitation Programs.

Accordingly, I am of the opinion that the rules and procedures applied have been insufficient to ensure the money disbursed under the programs was within the limits imposed by the regulations.

2.1.5 Saskatchewan Community Legal Services Commission

In my last four annual reports to the Legislative Assembly I reported that the Community Legal Services Commission had not undertaken sufficient procedures to ensure that only eligible persons received eligible services within the provisions of The Community Legal Services (Saskatchewan) Act and the regulations under that Act.

During the 1983 audit of the Commission's records my representatives observed that the Commission was implementing a new system. This new system is intended to maintain eligibility records and to verify the eligibility of legal aid recipients.

For the 1983 year the system was not fully operational because the Commission had not formalized procedures when errors were discovered during the verification of eligibility and because the following legal aid clinics did not submit appropriately completed eligibility forms to the Commission:

1. The Saskatoon Legal Assistance Clinic Society
2. The Battleford and Area Legal Services Society
3. The Prince Albert and District Community Legal Services Society
4. The Valley Legal Assistance Clinic Society for the period April 1, 1982 to October, 1982
5. The Meadow Lake and District Legal Services Society
6. The South East Saskatchewan Legal Services Society

Accordingly, I was unable to ascertain if the appropriation for the Saskatchewan Community Legal Services Commission was applied in a manner authorized by the Legislature.

2.1.6 Department of Industry and Commerce

The Department of Industry and Commerce administers a number of programs to provide grants and loans which, either by the regulations or agreements, impose certain conditions which are required to be fulfilled by the recipient to ensure that the money received is applied to the purpose intended by the Legislature and, in some instances, to ensure that any assets acquired from the money received are adequately insured until such time as all conditions of the grants and loans are complied with.

During the year under review, my representatives were not able to examine a formal policy for the collection of loans, or a formal policy to ensure compliance with conditions attached to certain grants and loans.

It is my opinion that the procedures applied by the Department could be improved to ensure compliance with regulations and agreements so as to ensure that the money disbursed is used for the purpose intended by the Legislature and to ensure that public property is safeguarded.

2.2 Comments on Systems to Ensure That Essential Records are Maintained and the Rules and Procedures Applied are Sufficient to Safeguard and Control Public Property

2.2.1 Controls Over Electronic Data Processing (Computer Systems)

As part of the examination of departments and crown agencies my representatives examine the rules and procedures to determine whether (1) the security systems are adequate to prevent and detect unauthorized access to information or unauthorized manipulation of data maintained on computer

files, (2) the rules and procedures for development of computer systems are adequate to ensure essential records are maintained and (3) back-up files and programs and alternate processing facilities are available to ensure that computer processing capability can continue in the event of a major equipment failure.

With regard to computer security systems, my representatives observed that in certain departments and crown agencies appropriate security procedures had not been implemented to prevent or detect unauthorized access to critical information or unauthorized manipulation of data.

With regard to the controls over the development of new computer systems my representatives observed a number of departments and crown agencies where these controls were also deficient. In some cases these deficiencies resulted in the failure of the department or crown agency to maintain essential records. Further information regarding these departments and agencies is contained in sections 2.2.2, 2.2.3, 2.2.4, 2.2.10 of this report.

With regard to alternate computer processing capability and back-up data files and computer programs my representatives also observed that in a number of departments and agencies there was not a formal plan documenting the manner in which computer processing of financial transactions would continue in the event of a major equipment failure.

In summary, I am of the opinion that controls over computer systems could be strengthened to more adequately safeguard critical information and to ensure essential records are maintained.

2.2.2 Saskatchewan Computer Utility Corporation

During the audit of the Corporation for the year ended December 31, 1982, the following internal control deficiencies were observed:

1. My representatives observed that the rules and procedures applied to prevent or detect incorrect disbursements were not adequate for the following reasons:

   a) appropriate segregation of duties and procedures had not been implemented for the mechanical signing of cheques and custody of blank cheques.

b) appropriate procedures had not been implemented to ensure that accurate and authorized data is entered into the computer system which produces disbursement cheques.

c) the reconciliations of the bank accounts were not timely and there was no evidence that the reconciliations were reviewed by a person independent of the disbursements and receipts functions.

d) the accounts payable subsidiary ledger was not balanced to the general ledger control account and supplier statements were not independently reconciled and agreed with the subsidiary ledger.

2. My representatives observed that the rules and procedures applied for systems conversion were not adequate for the computerized fixed asset and lease systems implemented in 1982. The Corporation had not implemented procedures to appropriately incorporate information from the old accounting systems to the new accounting systems with the result that:

a) the portion of the general ledger relating to the fixed asset accounts was rendered ineffective and unreliable in producing useful and accurate information with respect to fixed asset components.

b) there was no assurance that all leases were accurately converted to the new system. This weakness, together with a lack of control to ensure all current lease transactions were communicated to the accounting section resulted in a lack of assurance that all lease charges were properly invoiced and recorded.

It is my opinion that, in this instance, essential records were not maintained and the rules and procedures applied were not sufficient to safeguard and control public property.

2.2.3 Department of Highways

The examination of accounting records and related internal control for the Highways Revolving Fund disclosed a lack of systems development controls over the introduction of a new Equipment Management Information System (EMIS) including the lack of appropriate user participation, the absence of project

plans, schedules and phased approvals as well as inadequate system testing prior to implementation.

The former system was discontinued upon implementation of the EMIS system in January, 1983. The processing of data under the new system was not designed with appropriate internal accounting controls or development of the necessary computer programs with resultant deficiencies in the production of accurate and complete information for the 1982/83 fiscal year. This delayed finalization of 1982/83 financial statements until December, 1983.

Accordingly, in my opinion, essential records for the Highways Revolving Fund were not maintained.

2.2.4 Teachers' Superannuation Commission

The examination of the accounting records and related internal control for the Commission disclosed that officials of the Commission had not implemented appropriate system development controls such as system and programming standards, appropriate user participation, adequate system testing and control over conversion and implementation of the new system.

The old system was discontinued on July 1, 1981 without the new system becoming operative. Accordingly, in my opinion, the Commission has failed to maintain essential records since that date.

2.2.5 Saskatchewan Oil and Gas Corporation

During the audit of the Corporation, Clarkson Gordon, Chartered Accountants, observed that there were inadequate controls over disbursements caused by a lack of segregation of duties in the area of purchase invoice data entry; update of vendor payable master files; and the approval of computer generated cheques. The condition noted was the result of an inadequate control procedure, as opposed to non-compliance with established control procedures. Accordingly, I conclude that the rules and procedures applied were not sufficient to safeguard and control the assets of the Corporation.

2.2.6 Westside Community College

On August 24, 1982 Horning & Brown, Chartered Accountants reported to the Board of Directors of Westside Community College that they had completed their examination of the financial statements of Westside Community College for the

year ended June 30, 1982. In the report they stated that there were serious deficiencies in the accounting records and in the system of internal control with the result that they were unable to satisfy themselves that all revenues and expenditures were properly classified and recorded. (See 2.5 of this report.)

It is my opinion that this crown agency has not maintained essential records.

2.2.7 Department of Revenue, Supply and Services

The audit of the accounting records and related internal control of the Department disclosed the following deficiencies in the Department's rules and procedures:

(1) My representatives observed that control totals were not maintained for the purposes of periodically reconciling computer files for the following programs: Education and Health Tax, Liquor Vendor Tax, Corporate Capital Tax, Tobacco Tax and the Mortgage Interest Reduction Program;

In my opinion, this lack of control totals coupled with inadequate physical security over access to computer programs and departmental data could result in unauthorized access and/or unauthorized or incorrect entries in the Department's computer files.

(2) Section 10(1) of the Mortgage Interest Reduction Act Regulations states that when a homeowner's mortgage reaches its anniversary date the Minister shall request information relating to any change in the mortgage status. This information shall be used to recalculate the amount of the homeowner's interest reimbursement payment.

The Department's procedure is to send "confirmation reports" to homeowners prior to their anniversary dates requesting them to have their lending institution sign and complete certain mortgage information but there is no system in place to ensure that grant payments are discontinued if the required information is not received.

In my opinion, this weakness allows the possibility of incorrect grant payments being made if the home owner's mortgage status has changed.

2.2.8 Department of Urban Affairs

The examination of the accounting records and related internal control of the Department of Urban Affairs for the year ended March 31, 1983 disclosed internal control deficiencies in the following programs:

(1) Property Tax Rebates

My representatives observed that the rules and procedures applied were not sufficient to prevent or detect:

(a) a renters rebate for a non-existent rental property.
(b) a property improvement grant or a senior citizens school tax rebate grant payment two or more times on the same property.
(c) property tax rebate payments to Corporations which are not incorporated under the Statutes of Saskatchewan and therefore not eligible.
(d) property improvement grant payments for more than one principal residence to one family unit.
(e) principal residence rebates in incorrect amounts.

(2) Municipal Revenue Sharing

My representatives observed that the rules and procedures applied for the entry of data into the Department's computer system were not sufficient to prevent or detect:

(a) incorrect unconditional grant payments to municipalities.
(b) unauthorized conditional grants for fire, ambulance and recreation.

It is my opinion that the rules and procedures applied for these programs were not sufficient to prevent or detect incorrect payments.

2.2.9 Department of Social Services

An audit of the accounting records and related internal controls for the Child Care Program was conducted for the year ended March 31, 1983. My representatives observed that the system to control disbursements for this program did not ensure that all requests for disbursements were properly

approved, as required by departmental policy, before payments were made.

It is my opinion that the rules and procedures applied were not sufficient to control disbursements for this program.

2.2.10 Department of Rural Affairs

The examination of the accounting records and related internal controls of the Department of Rural Affairs for the year ended March 31, 1983 disclosed the following internal control deficiencies:

(1) The rules and procedures applied to prevent or detect incorrect unconditional grant payments to municipalities were insufficient due to inadequate checking of computations used in the calculation of the grants payable.

(2) Computer programs, for the calculations of the basic and equalization portion of the grants, were utilized prior to sufficient testing. One of the computer programs contained a logic error with the result that the grants paid were not in accordance with the Rural Municipality Revenue Sharing Regulations (1982).

It is my opinion that the rules and procedures applied for the Municipal Revenue Sharing Program were not sufficient to prevent or detect incorrect payments.

2.2.11 Alcoholism Commission of Saskatchewan

During the audit of the accounting records and the system of internal control of the Commission, my representatives observed that the rules and procedures to prevent incorrect disbursements were not adequate for the following reasons:

1. My representatives observed that the signing officers had signed a number of blank cheques for one of the Commission bank accounts.

2. One usual control over disbursements from a bank account is the requirement for two signatures on a cheque. This control can be circumvented when mechanical cheque signing is used if dual custody is not enforced over the mechanical cheque signing device. This dual custody over the cheque signing device was not operative at the Commission.

In my opinion the rules and procedures applied were not sufficient to prevent incorrect disbursements.

2.2.12 Souris Valley Regional Care Centre

During the audit of the Centre for the year ended March 31, 1983, my representatives observed that the payroll system allowed the possibility of incorrect disbursements for the following reasons:

1. Information contained in the computer files critical to accurate payroll preparation could be amended without the knowledge of the official responsible for hiring and pay rates.

2. There was not a reconciliation performed to ensure that the money removed from the Centre's bank account through automatic bank transfers, for the periodic payment of payroll, agrees to the payroll register or to the amounts credited to employees reported in the bank deposit register.

3. The Centre has delegated the payment of payroll and third party payroll deductions (Revenue Canada, etc.) to Manitoba Health Organizations Incorporated without implementing procedures to ensure that the deductions have in fact been paid.

In my opinion the rules and procedures applied were not sufficient to prevent or detect incorrect payments.

2.2.13 Department of Northern Saskatchewan

The following internal control deficiencies were observed during the examination of the Department of Northern Saskatchewan for the year ended March 31, 1983:

1. The Department administers a loan program for residents of Northern Saskatchewan. My representatives observed that the rules and procedures applied were not sufficient to safeguard and control these loans for the following reasons:

   a) procedures for handling repayments of these loans were not adequate in that the procedures allowed the possibility of funds being received and not being recorded.

b) the collection policy was not fully operative.

c) procedures, which ensure the existence and value of the security pledged by loan recipients, while improved over prior years, were not adequate.

2. Some of the operations of the Department of Northern Saskatchewan were realigned with other government departments during the year ended March 31, 1983. As part of this realignment certain equipment of the Department of Northern Saskatchewan was to be transferred to the Departments assuming the respective operations of the Department of Northern Saskatchewan. The rules and procedures developed by the Comptroller, Department of Finance required preparation of a formal transfer of property which was to include a written acknowledgement of receipt of the property.

The Department of Northern Saskatchewan was not able to provide my representatives with a written acknowledgement of receipt of the property transferred to receiving Departments.

It is my opinion that, in these instances, essential records were not maintained to safeguard and control this public property.

2.3 Comments on Systems for the Assessment and Collection of Revenue

2.3.1 Department of Revenue, Supply and Services

In my four previous reports to the Legislative Assembly, I expressed my concern with the existing levels of detailed audit coverage carried out by the Department of Revenue, Supply and Services in connection with its revenue assessment activities for Education and Health Tax, Motive Fuel Tax and Tobacco Tax. I commented that the level of audit coverage then existing did not permit audits to be performed in a reasonable period of time and that audit statistics suggested that significant revenue recoveries could be achieved with increased audit surveillance.

Upon consideration of this matter, the Select Standing Committee on Public Accounts and Printing recommended to the Legislative Assembly in its June, 1980 report "that the Department review its procedures to ensure that there is a

balance between the number of detailed field audits on the one hand and the cost of the audits on the other hand so that an effective check is in place".

In my 1980 report it was indicated that I had been informed a study would be undertaken in early 1981 to provide officials of the Audit and Investigation Branch of the Department with an objective basis for evaluating the adequacy and effectiveness of audit activities actually performed.

I have examined a copy of the Department's study and in my opinion this study did not specifically address the recommendation of the Select Standing Committee on Public Accounts and Printing to ascertain whether there is a balance between the number of detailed field audits on the one hand and the cost of the audits on the other hand. Accordingly, it is my opinion that the results of this study have not provided the necessary information to discharge fully the recommendation of the committee or to provide sufficient evidence that either the rules and procedures presently applied, or that the rules and procedures recommended in the study, are sufficient to secure an effective check on the assessment of revenue on a cost effective basis.

I continue to recommend that the study be completed to fully comply with the recommendation of the Select Standing Committee on Public Accounts and Printing.

2.3.2 Department of Industry and Commerce

During the examination of the accounting records and related internal control over revenues of the department, my representatives observed that there were inadequate rules and procedures to ensure that all costs which are cost shareable with the Federal Government under the Special ARDA Program are claimed. This weakness arises because of the absence of reconciliation procedures between departmental records of costs to be shared and claims received to Department of Finance records of disbursements on cost shareable programs and receipts from the federal government.

In my opinion, the rules and procedures applied were not sufficient to ensure an effective check on the assessment and collection of this revenue.

2.3.3 Western Development Museum

During the audit of the Museum my representatives observed that there was no system to ensure that all donations and Government of Canada grants were recorded. In my opinion, the rules and procedures applied were not sufficient to effectively check the assessment and collection of this public money. (See section 2.5 of this report.)

2.4 Other Cases Reported Pursuant to Section 12 of The Provincial Auditor Act

2.4.1 Appropriations Exceeded or Applied to a Purpose or in a Manner Not Authorized by the Legislature

2.4.1.1 Department of Finance

In my 1982 annual report to the Legislative Assembly I reported that the manner in which interest expense incurred for short-term borrowings was disclosed in the principal financial statements of the Province did not reflect the application of these borrowings in accordance with recitals contained in the authorizing Orders-in-Council regarding the purpose for which short-term borrowings were to be made.

The authorizing Orders-in-Council for short-term borrowings state in part:

> "for the purpose of providing in part the sums required by the Minister of Finance to meet ordinary expenditures authorized to be disbursed out of the Consolidated Fund."

The majority of the remaining borrowings are authorized by orders which indicate the purpose, in part, as providing for capital expenditures for Highways and Transportation.

Since the date of my last report to the Legislative Assembly I received a letter from the Deputy Minister of Finance in this regard explaining why the Department of Finance chose to disclose the interest expense on short-term borrowings net of interest income received from crown corporation for short-term advances to these corporations.

The Deputy Minister's reply stated in part:

> "For 1981-82, and in retrospect for 1980-81, it became readily apparent that short-term advances to Crown

> Corporations from the Consolidated Fund were being funded by Consolidated Fund short-term borrowing. The absolute direct relationship of borrowing to advance was not as apparent as in the long-term transactions, but the relationship was evident."

In view of the Deputy Minister's response, the recitals in the authorizing Orders-in-Council, and because for 1983 the financial statements of the Province were prepared continuing the practice of netting short-term interest expense with short-term interest income from crown corporations, I am of the opinion that short-term advances to crown corporations which were funded by short-term borrowings represent borrowings applied to a purpose other than was authorized.

2.4.1.2 Saskatchewan Housing Corporation

During the audit of the Corporation my representatives observed that in May of 1982 Saskatchewan Housing Corporation received $1,250,000 from the Consolidated Fund which was applied against the construction cost of an apartment building. The amount paid to the Corporation was charged against the Low Rental Housing Subsidies subvote of the Department of Urban Affairs. Amounts paid from the Consolidated Fund and charged to this subvote are normally applied by the Corporation toward annual operating subsidies on behalf of tenants of public housing projects. The $1,250,000 in question has been treated by the Corporation in the nature of a capital grant for construction of a non-profit rental housing project.

The application of the amount provided is at variance with the usual application of funds charged to the 'Low Rental Housing Subsidies' subvote. In my opinion, a new subvote should have been established as a Department of Urban Affairs appropriation, against which this payment and any similar payments to the Corporation, to be applied against project construction costs, would be charged.

Accordingly, in my opinion, the appropriation described above was applied in a manner not authorized by the Legislature.

2.4.1.3 Department of Social Services

During the audit of the Department my representatives observed that Order in Council 538/82 authorized a grant to a company, in the amount of $66,594, subject to that company complying with specific eligibility criteria.

The Department did not have eligibility checksheets and employee timesheets completed and on file in order to determine eligibility for this company's grant.

Therefore, the Department had not determined if this grant was applied to the purpose authorized.

2.4.1.4 Department of the Attorney General

During the examination, it was noted that salary expenses in the amount of $204,000 for the Communication Secretariat Branch were charged to the appropriation for "Grants to Local Authorities in Order to Provide for Policing Services by the Royal Canadian Mounted Police". A special warrant approving funding for Communication Secretariat Branch salaries was later obtained by the Department at which time the above appropriation was reimbursed.

In my opinion, the appropriation "Grants to Local Authorities in Order to Provide for Policing Services by the Royal Canadian Mounted Police" was applied in a manner not authorized by the Legislature.

2.4.1.5 Department of the Provincial Secretary

During the audit of this Department my representatives observed that on October 28, 1982 a payment was made for services on behalf of the Lieutenant Governor in the amount of $4,779 charged to the appropriation "expense of the Office of the Lieutenant Governor". On November 13, 1982 a journal voucher was prepared transferring this expenditure to the appropriation for "executive administration". On January 20, 1983 another journal voucher was processed transferring this expenditure back to the appropriate appropriation which now contained sufficient funds as a result of special warrants being processed.

It is my opinion that the appropriation for "executive administration" was applied in a manner not authorized by the Legislature, in that expenses of the office of the Lieutenant Governor were incorrectly charged against executive administration. This incorrect charge resulted when the journal voucher was prepared transferring charges.

In addition, the records of the Department indicate that $68,178 had been expended from the appropriation "expenses of the Office of the Lieutenant Governor" at December 31, 1982.

At that date the Department had been authorized to spend $63,990. As a result, there was a recorded overexpenditure of $4,188.

Therefore, in my opinion, this appropriation was exceeded in the amount of $8,967. This overexpenditure is represented by the recorded overexpenditure of $4,188 plus the incorrect journal entry of $4,779.

2.4.2 Overcommitments of Appropriations

Section 57(1) of The Department of Finance Act, Chapter D-15, R.S.S. 1978, (prior to repeal) stated:

> "No department of the public service or branch or agency thereof shall, in any fiscal year, contract any indebtedness in that fiscal year greater than the unencumbered balance in the relevant appropriation for that year."

The schedule of budgetary expenditure for the Consolidated Fund (Pages C15 - C42 of Public Accounts) indicates that certain overcommitments occurred as a result of accounts payable exceeding the unexpended balances of the relevant appropriations. Overcommitments occurred in four appropriations of the Consolidated Fund in 1982/83 totalling $1,799,256. In 1981/82 overcommitments in five appropriations totalled $848,450.

The schedule of budgetary expenditure for the Saskatchewan Heritage Fund (Pages C44 - C47 of Public Accounts) indicates that overcommitments occurred in three appropriations totalling $6,135,687. In 1981/82 an overcommitment in one appropriation totalled $10,789,231.

2.4.3 Expenditures Without Authority

2.4.3.1 Saskatchewan Arts Board

The Saskatchewan Arts Board annually provides financial assistance in the form of grants to organizations to promote such activities as music, arts, dance, etc.

I was unable to find any specific provision in the Arts Board Act which allows the Board to make these grants totalling approximately $1.2 million to organizations.

Accordingly, I am of the opinion that these grant payments were made without authority.

This matter was also reported to the Legislative Assembly in my 1982 annual report.

2.4.3.2 Department of Rural Affairs

During the audit of the accounting records of the Department my representatives observed that retroactive payments were made, in the amount of 10% of costs of constructing primary grid roads, to rural municipalities that were not part of a maintenance area.

These payments are in violation of clause (3), Section 7, of the regulations which state:

> "where an R.M. is part of a maintenance area, the grant to which it is entitled is the standard road percent plus 10%".

The amount of payments without statutory authority was $228,314.

2.4.3.3 Department of Continuing Education

Subsequent to September 30, 1982 the Department assumed responsibility for the Northern Training Program, which was previously the responsibility of the Department of Northern Saskatchewan. During the audit my representatives observed that payments were made under the authority of Order-in-Council 961/75 which authorized travel and sustenance allowances for trainees travelling to and from courses but which did not authorize living allowances paid to trainees while attending courses. During the period October 1, 1982 to March 31, 1983 payments of $12,080 for living allowances were made without apparent authority.

2.4.3.4 Department of Northern Saskatchewan

During the the audit my representatives observed that:

(1) The Department, prior to realignment of this program, paid living allowances to trainees while attending adult upgrading and craft training courses. Order-in-Council 961/75 provides authority only to pay travel and sustenance allowances to trainees.

Accordingly, in my opinion, the living allowances paid totalling $20,475 constitute payments made without apparent authority;

(2) Inmates at a hostel were paid $4.25 per hour worked contrary to the provisions of a Minister's Order which provided for maximum payments of $10/day for work performed. Therefore, in my opinion, the amounts paid, totalling $12,516, appear to have been determined using an unauthorized rate of payment;

2.4.3.5 Department of Agriculture

During the course of the examination, my representatives observed that a $34,000 grant was paid to the Saskatchewan Sheep and Wool Marketing Commission by the Department in February, 1982 without obtaining the necessary Order-in-Council approval. Therefore, in my opinion, this payment was made without proper authorization.

2.4.4 Borrowing Authority Exceeded

2.4.4.1 Western Development Museum

Section 13 of the Western Development Museum Act states:

> "Subject to the approval of the Lieutenant Governor in Council, the board may borrow any sum of money that it considers necessary to fulfill its objects."

During the audit it was observed that the Museum obtained two loans totalling $2,495,787 without the required Orders-in-Council being obtained.

Therefore, in my opinion, this debt was incurred without proper authority.

2.4.4.2 Saskatchewan Medical Care Insurance Commission

As at March 31, 1983 the Commission's general bank account was overdrawn by $322,665. The Saskatchewan Medical Care Insurance Act makes no provision for the incurrence of debt. In addition, there were a further $2.4 million of cheques issued at March 31, 1983 in excess of the funds available in the Commission bank account. In my opinion, the Commission spent approximately $2.7 million in excess of the funds legally available to it.

This matter was reported in my 1982 report to the Legislative Assembly and was considered by the Standing Committee on Public Accounts. The Standing Committee on Public Accounts reported to the Legislative Assembly on December 7, 1983 as follows:

> "Your committee recommends that the Saskatchewan Medical Care Insurance Act be amended to recognize the Commission's inability to estimate its needs with sufficient precision to avoid borrowing money at the end of the fiscal year."

2.4.4.3 Saskatchewan Economic Development Corporation

During 1982, the Corporation assumed a mortgage of $1,000,000 as part of a land purchase agreement without obtaining the required approval of the Lieutenant Governor in Council. Therefore, in my opinion, the Corporation assumed this debt without adequate statutory authority.

2.4.4.4 Saskatchewan Beef Stabilization Board

Section 21 of The Beef Stabilization Act states:

> "Subject to the approval of the Lieutenant Governor in Council, the board may borrow money from any financial institution for any purposes relating to the marketing of beef under this Act."

The board made arrangements with a bank to provide temporary overdraft coverage, when advances from the consolidated fund are not received prior to stabilization payments being made, without Order-in-Council authorization.

In my opinion, the overdrafts incurred during the year were without adequate authority.

2.4.5 Special Warrants

The money necessary to operate the government is provided annually through an Appropriation Act. This money is provided after estimates are debated and voted by the Legislative Assembly.

The Legislature, by the Department of Finance Act, allows the government to spend money without an Appropriation Act by means of a special warrant. However, the Legislature has restricted this form of spending to expenditures not foreseen

or provided for or insufficiently provided for, when the Legislative Assembly is not in session. The government is required to include special warrants as part of the next ensuing Appropriation Act.

As a further control over special warrants, the Provincial Auditor is required to report to the Legislative Assembly any special warrant which authorized the payment of public money.

I report that until March of 1983, the main estimates for 1982/83 were not passed in the form of an Appropriation Act and accordingly special warrants were issued to authorize expenditures during most of the year. Therefore, in my opinion, legislative control over the expenditure of public money was not maintained for the 1982/83 fiscal year.

2.4.6 Revenue Not Collected

2.4.6.1 Saskatchewan Assessment Authority

Section 8 of The Saskatchewan Assessment Act states that all assessable properties, businesses and special franchises in every municipality are to be revalued at least once every ten years. As well, the cost of revaluation in a city with a population greater than 25,000 is to be paid by the city. On April 26, 1982 the officials of the Department of Urban Affairs billed the City of Prince Albert $6,225 for a portion of the Prince Albert reassessment costs incurred by the Authority. The total amount of costs incurred by the Authority to perform the reassessment was $199,233. According to the requirements of the Saskatchewan Assessment Act, Prince Albert should have been billed the full amount of $199,233. Therefore, in my opinion, the Saskatchewan Assessment Authority has omitted to collect $193,008.

2.4.6.2 Saskatchewan Sheep and Wool Marketing Commission

During the audit of the accounting records of the Commission my representatives observed the following:

(1) Pursuant to Section 14 of the Saskatchewn Regulation 260/74 made under provisions of The Natural Products Marketing Act, 1972 and Section 7(b) of the Natural Products Marketing Act, R.S.S., 1978, the Saskatchewan Sheep and Wool Marketing Commission issued order 21/81 whereby livestock dealers, processors and sheep

associations are liable for the collection and remittance to the commission of sheep and lamb check-off.

The Commission was not pursuing the collection of sheep and lamb check-off in instances where livestock dealers purchase animals at the farm gate. The absence of such a collection policy has resulted in non-collection of this revenue to which the Commission is entitled by the terms of order 21/81.

(2) Section 14(2) of the Saskatchewan Regulation 260/74 made under provisions of The Natural Products Marketing Act, 1972, requires that all rules, orders and regulations be approved by the Natural Products Marketing Council.

The minimum check-off rate stated in order 21/81 was reduced by the Commission without issuing an order and without approval from the Council. Consequently not all revenue was collected.

2.5 Reservation of Professional Opinion on Financial Statements

The reason for an independent professional opinion on financial statements is, generally, that the reader of the financial statements is unable to ascertain on his own that the financial statements prepared by management, reflecting their stewardship of the assets entrusted to them, have been objectively and accuately prepared. Accordingly, legislation requiring the publication of financial statements normally provides for an auditor to act on behalf of the readers of the financial statements so as to provide a measure of assurance that the financial statements have been objectively and accurately prepared.

In some instances, a professional opinion on financial statements may contain reservations. Circumstances which may cause such reservations are described below:

- failure to adhere to generally accepted accounting principles (or other appropriate stated principles);

- inconsistency in the application of the accounting principles used;

- failure to disclose essential information;

- inability to obtain information essential to permit compliance with generally accepted auditing standards;

- disagreement or uncertainty as to valuation of assets or liabilities.

In 1982/83, the following audit opinions were expressed with reservation in connection with the financial statements of certain crown agencies:

a) Western Development Museum

My auditor's report contained a reservation because my examination of donations and Government of Canada grants was limited to the verification of the amounts recorded in the accounts as the system of internal control was inadequate to ensure completeness of revenue from these sources.

The auditor's report reads as follows:

"I have examined the balance sheet of The Western Development Museum Fund as at March 31, 1983 and the statement of revenue and expenditure and fund equity for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances, except for donations and grants from the Government of Canada where my examination was limited to the verification of amounts recorded in the accounts.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself as to the completeness of donations and grants from the Government of Canada, these financial statements present fairly the financial position of The Western Development Museum Fund as at March 31, 1983 and the results of its operations and the changes in its fund equities for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year."

My report advises the reader of the financial statements that I was unable to form an opinion as to the completeness of donations and government of Canada grant

revenue and that the financial statements would require adjustment if the amounts recorded are not complete.

b) Westside Community College

The auditor's report contained a reservation because the auditor's examination (Horning and Brown, Chartered Accountants) was limited due to serious deficiencies in the system of internal control with the result that they were unable to satisfy themselves that all revenues and expenditures were properly classified and recorded.

The auditor's report reads as follows:

"We have examined the balance sheets of the Westside Community College - Administration and Capital Funds as at June 30, 1982 and the statement of revenue and expenditures for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and included such tests and other procedures as we considered necessary in the circumstances, except as explained in the following paragraph.

Our examination indicated serious deficiencies in the accounting records and in the system of internal control. As a consequence, we were unable to satisfy ourselves that all revenues and expenditures were properly classified and recorded.

In our opinion, except for the effects of adjustments, if any, which we might have determined to be necessary had the accounting records been properly maintained, the financial statements present fairly the financial position of the College's Administration and Capital Funds as at June 30, 1982, and the results of the operations of the Administration Fund for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year."

The report advises the reader of the financial statements that the auditor was unable to form an opinion on the completeness and classification of revenue and expenditures and that the financial statements would require adjustment if the amounts recorded are not complete and classified properly.

c) Potash Corporation of Saskatchewan

The auditor's report (Deloitte Haskins & Sells, Chartered Accountants) contained a reservation because the Corporation changed its method of providing depreciation on mining assets and did not apply the change retroactively.

The auditor's report reads as follows:

"We have examined the consolidated statement of financial position of Potash Corporation of Saskatchewan as at December 31, 1982 and the consolidated statements of income and retained earnings and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the change in the method of providing for depreciation on mining assets as explained in Note 2 to the financial statements, on a basis consistent with that of the preceding year."

The report advises the reader that the accounting principles used in the preparation of the financial statements were not consistent with the previous year with regard to depreciation on mining assets. Accordingly, the reader should be aware that comparability of the financial information from year to year reported in the financial statements may be impaired.

2.6 Other Matters

2.6.1 Department of Revenue, Supply and Services

Section 3 of The Tobacco Tax Act states the rate of tax every purchaser of tobacco shall pay to the Province. During the audit my representative observed that certain tobacco tax increases had been collected effective March 17, 1982,

November 25, 1982, and March 30, 1983 but the Act had not been amended. Therefore, in my opinion, during the year under review, the tax increases were collected without statutory authority.

2.6.2 Crown Investments Corporation of Saskatchewan

In my 1979 and 1982 reports to the Legislative Assembly, I reported that while, in my opinion, the consolidated financial statements of the Crown Investments Corporation of Saskatchewan (CIC), which are tabled in the Legislature, provide useful financial information as to the overall operating results and the overall financial position with respect to the property administered by all of the consolidated crown corporations, consideration should be given to the tabling of additional financial statements for CIC which would provide to the Legislative Assembly the financial position, results of operations and changes in financial position with respect to the corporation's property, per se.

At December 31, 1982 C.I.C.'s deficit was $50 million. Because of the magnitude of this deficit, I now consider this disclosure essential to assist the Legislative Assembly in holding the government accountable for the operation of this Crown Corporation.

In addition, CIC has a number of subsidiary companies. The financial statements of these subsidiary companies are not presently tabled in the Legislative Assembly. I recommend that the Standing Committee on Public Accounts review this matter as I am of the opinion that such information would be useful in order to assist the Assembly in holding the government accountable for the operations of these companies.

2.6.3 Department of Tourism and Renewable Resources

During the audit of the Department, my representatives observed that, pursuant to a cost sharing agreement with the federal government, the Department of Tourism and Renewable Resources agreed to undertake or designate another Crown Agency to undertake projects approved pursuant to the agreement. The Government of Canada shares 50% of the costs of such projects. My representative observed that the Government of Canada's share of the costs are paid into a Conditional Receipts Account. 50% of the costs incurred by other Crown Agencies on behalf of the Department are

reimbursed from the Conditional Receipts Account. Any remaining funds in the Conditional Receipts Accounts are then deposited to the Consolidated Fund.

In my opinon, these funds received from the Government of Canada should be deposited into the Consolidated Fund and all of the costs incurred pursuant to this agreement should be paid from amounts appropriated by the Legislature for such purposes.

In addition, in my opinion, all of the payments made from the Conditional Receipts Account related to the aforementioned cost sharing agreement were payments without statutory authority.

2.6.4 Saskatchewan Hog Marketing Commission

During the audit for the year ended December 31, 1982, my representatives observed that a number of shipments of hogs were made to Japan. As a fee for arranging these sales and for costs incurred thereon, by the Commission, charges were made for approximately $36,000. This amount was charged by the Commission against the weekly price pools.

Although the regulations permit the Commission to price its hogs on a pool basis pursuant to Order 17/78, the regulations do not appear to allow the charging of administration fees by the Commission against the pool.

Accordingly, it is my opinion, that these fees were collected without authority.

2.6.5 Department of Agriculture

In my 1982 report to the Legislative Assembly, I reported a loan to a company of $634,021 that was made without authority. Since my last report to the Legislative Assembly, the company has filed an assignment in bankruptcy. Departmental officials are of the opinion that $250,000 of this loan will be recovered.

2.6.6 Department of Government Services

In accordance with Section 5 of The Purchasing Act, it is required that every government department shall purchase all the supplies that it requires through the Saskatchewan Government Purchasing Agency. In addition, Section 2.10 of the Policy Guide of the Saskatchewan Government Purchasing

Agency states that water conditioners are not to be purchased without the calling of tenders. Our examination of the supporting documents in one case revealed that an order was made on September 11, 1982 and the receiving report indicated that the goods were received on September 24, 1982, while the requisition to the Purchasing Agency was dated October 27, 1982. Therefore, it would appear that Section 5 of The Purchasing Act and the Policy Guide of the Purchasing Agency were not complied with in this instance.

3.

OBSERVATIONS ON THE FINANCIAL STATEMENTS OF THE GOVERNMENT OF SASKATCHEWAN

As in prior years, my audit opinions on the financial statements of the Consolidated Fund, the Saskatchewan Heritage Fund and the Combined Funds for the 1982/83 year were made solely with respect to the presentation of the financial affairs of the funds in accordance with the stated accounting policies and, accordingly, no opinion was expressed by me on the appropriateness of the various accounting policies employed. A research study recently issued by the Canadian Institute of Chartered Accountants supports the practice whereby legislative auditors draw attention to inappropriate accounting treatment. The study states that until such time as government accounting principles are established by some independent means, legislative auditors have little alternative but to identify situations where they have concerns as to the accounting treatment. Although the study goes on to suggest that reservations with respect to accounting practices should be described in the auditors' reports on financial statements as well as being discussed in the Annual Reports presented to their respective Legislatures, for the 1983 fiscal year, I have continued the past practice of not expressing an opinion on the appropriateness of the accounting principles employed pending more authoritative support from pronouncements of such bodies as the Public Sector Accounting and Auditing Committee of the Canadian Institute of Chartered Accountants.

The following significant accounting policies used in the preparation of the principal financial statements of the Province are being reviewed to determine whether or not the manner in which these accounting policies disclose economic events in the financial statements could be improved:

1. Carrying Value of Loan to the Saskatchewan Grain Car Corporation

   The Saskatchewan Grain Car Corporation presently has no revenue producing capability by which to repay the loan payable to the Saskatchewan Heritage Fund. However, the Corporation does have underlying assets in the form of grain cars. The question becomes would better disclosure result if the value of the loan were reduced

in the Heritage Fund to reflect that the Corporation presently has no revenue producing capability by which to repay the loan?

2. Saskatchewan Heritage Fund Reserves

Presently no formal authority exists for the reserves presented in the Saskatchewan Heritage Fund financial statements. The reserves have been created based upon a declaration of intent by the previous government in a budget address. The question becomes is a budget address sufficient authority to prepare financial statements indicating that there are reserves or should the financial statements not reflect the intended reserves until such time as the Legislature has directed the manner in which reserves are to be established?

3. Revenue Cut-off Policy

Presently the financial statements are prepared using the policy that if money is received in April it can be recorded as revenue of the previous fiscal year provided that the money received pertains to entitlements, etc. of only the previous fiscal year. That is, if the money pertains to years prior to the previous fiscal year, it must be included in revenue in the year received. The question becomes would better disclosure result if revenue pertaining to periods prior to the previous fiscal year was disclosed in the same manner as revenue of the previous fiscal year?

4. Equalization Adjustments

The financial statements disclose equalization adjustments as revenue determined on a cash basis regardless of whether or not some of the money received is in excess of the Province's entitlement. If the receipts are in excess of entitlements, future equalization receipts from the federal government are reduced resulting in reduced revenue being reported in future years. The question becomes would recording excess entitlements as a debt due the federal government at the date the determination of excess entitlements is made, with a corresponding reduction in revenue in the financial statements, result in better disclosure than the present accounting policy?

APPENDIX

The Provincial Auditor Act,
Chapter P-30.01, 1983

SHORT TITLE AND INTERPRETATION

1 This Act may be cited as The Provincial Auditor Act.

2 In this Act:

(a) "acting provincial auditor" means the acting provincial auditor appointed pursuant to section 5;

(b) "audit" means an audit or examination of accounts of public money that may be made by the provincial auditor pursuant to this Act;

(c) "Crown" means Her Majesty the Queen in right of Saskatchewan;

(d) "Crown agency" means an association, board, commission, corporation, council, foundation, institution, organization or other body, whether incorporated or unincorporated, all the members of which or all of the board of management or board of directors of which:

(i) are appointed by an Act or by the Lieutenant Governor in Council; or
(ii) are, in the discharge of their duties, public officers or servants of the Crown;

and includes a corporation that has at least 90% of its issued and outstanding voting shares vested in the Crown;

(e) "Crown-controlled corporation" means a corporation that is not a Crown agency and that has less than 90% and more than 50% of its issued and outstanding voting shares vested in the Crown;

(f) "fiscal year" means the period commencing on April 1 in one year and ending on March 31 in the next year;

(g) "provincial auditor" means the Provincial Auditor for Saskatchewan appointed pursuant to section 3;

(h) "public money" means all revenues and public moneys from whatever source arising, whether the revenues and moneys:

(i) belong to the Government of Saskatchewan; or
(ii) are collected or held by officers of the departments of the Government of Saskatchewan or Crown agencies for, on account of or in trust for the Government of Canada or the government of any other province or for any other party or person;

and includes public property;

(i) "public property" means property held or administered by the Crown.

APPOINTMENT AND OFFICE

3(1) After consultation with the Chairman of the Standing Committee of the Legislative Assembly on Public Accounts, the Lieutenant Governor in Council shall appoint a person as the Provincial Auditor for Saskatchewan.

(2) The provincial auditor is an officer of the Legislative Assembly and holds office during good behaviour.

(3) For the purposes of The Saskatchewan Telecommunications Act, the provincial auditor is the auditor of utilities.

(4) The provincial auditor may resign his office at any time by forwarding a written notice addressed to:

(a) the Speaker; or
(b) where there is no Speaker or the Speaker is absent from Saskatchewan, the President of the Executive Council.

(5) The Lieutenant Governor in Council may suspend or remove the provincial auditor from office only for cause and on the address of the Legislative Assembly.

4(1) Subject to subsection (2), the provincial auditor is to be paid a salary equal to the average salary of all the deputy ministers and acting deputy ministers of the Government of Saskatchewan calculated as at April 1 in each year.

(2) Where, as a result of a calculation made pursuant to subsection (1), the provincial auditor's salary would be less than his previous salary, he is to be paid not less than his previous salary.

(3) The provincial auditor is entitled to receive any privileges of office and economic adjustments that are provided to deputy ministers.

(4) The provincial auditor's salary is a charge on the consolidated fund.

5(1) The provincial auditor may appoint an employee of his office as acting provincial auditor.

(2) Where the position of provincial auditor is vacant and there is no acting provincial auditor, the Lieutenant Governor in Council may appoint a person as acting provincial auditor who is to hold office until an acting provincial auditor is appointed pursuant to subsection (1).

(3) Where the position of provincial auditor is vacant or the provincial auditor is absent or unable to perform his duties due to illness or other disability, the acting provincial auditor has all the powers and shall exercise all the duties of the provincial auditor.

6 No person is eligible to be appointed as provincial auditor or as acting provincial auditor unless he is a member in good standing of the Institute of Chartered Accountants of Saskatchewan.

7 For the purposes of exercising any of the powers or carrying out any of the duties imposed upon him by this Act, the provincial auditor may engage the services of or retain any technical, professional or other advisors, specialists or consultants that he considers necessary.

8(1) The provincial auditor may employ any persons that he considers necessary to assist him in carrying out his duties and fulfilling his responsibilities under this Act.

(2) Employees of the office of the provincial auditor are employees of the Legislative Assembly and are not members of the public service of Saskatchewan.

(3) The disability income plan, the public employees dental plan and the group insurance plan applicable to the public servants of Saskatchewan and any plan introduced to replace or substitute for those plans apply or continue to apply, as the case may be, to the provincial auditor and the employees of the office of the provincial auditor.

(4) The Public Service Superannuation Act and The Superannuation (Supplementary Provisions) Act apply to the provincial auditor and the permanent and full-time employees of the office of the provincial auditor, and all credits in any superannuation plan or fund established pursuant to those Acts for the provincial auditor and the employees of the office of the provincial auditor and accumulated under those Acts, prior to the coming into force of this section, are preserved and continued in accordance with those Acts.

(5) The provincial auditor shall administer, manage and control the office of the provincial auditor and the general business of the office and shall oversee and direct the staff of the office.

9 The provincial auditor shall require every person employed in his office who is to examine the accounts of a department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that department, Crown agency or Crown-controlled corporation.

10 The provincial auditor may delegate to any member of his office the authority to exercise any power or to perform any duty conferred on him pursuant to this Act, other than the duty to make his annual report or a special report to the Legislative Assembly.

DUTIES AND POWERS

11(1) The provincial auditor shall examine or cause to be examined, in any manner that he considers necessary to enable him to report as required in this Act, all accounts related to public money and accounts not related to public money that he is required by an Act to examine and shall determine whether in his opinion:

(a) the accounts have been faithfully and properly kept;

(b) all public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

(c) public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

(d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.

(2) Notwithstanding any other Act, where the Lieutenant Governor in Council or Treasury Board appoints, pursuant to a statutory authority, another auditor to examine and report on the financial statements of a Crown agency, that auditor shall perform the audit according to an audit plan that:

(a) he has prepared; and

(b) includes any procedures that the provincial auditor considers necessary to allow the provincial auditor to fulfill his responsibilities under this Act.

(3) As soon as possible after another auditor described in subsection (2) has completed his audit or examination of a Crown agency, the provincial auditor shall provide that other auditor with an acknowledgement that the procedures performed are sufficient or are not sufficient for the provincial auditor to fulfill his responsibilities under this Act.

(4) The provincial auditor has the right to obtain from departments of the Government of Saskatchewan, Crown agencies and Crown-controlled corporations and their auditors any information or report that is, in his opinion, necessary to enable him to fulfill his responsibilities under this Act, and the departments, Crown agencies and Crown-controlled corporations and their auditors shall provide that information or report to him.

(5) Where the accounts, records and financial statements of a Crown agency or Crown-controlled corporation are audited by another auditor, the provincial auditor may rely on any report of that auditor for the purpose of fulfilling his responsibilities under this Act.

(6) Where, in the opinion of the provincial auditor, a report, document or explanation provided to him pursuant to this section is not sufficient to allow him to fulfill his responsibilities under this Act, he may conduct or cause to be

conducted any additional examination or audit of the accounts, records or financial statements of a department of the Government of Saskatchewan, a Crown agency or Crown-controlled corporation that he considers necessary.

12(1) At the end of each fiscal year, the provincial auditor shall report to the Legislative Assembly on the results of all examinations of departments of the Government of Saskatchewan and Crown agencies giving details of any reservations of opinion made in an audit report and shall call attention to every case in which in his opinion:

(a) any officer or employee of a department of the Government of Saskatchewan or Crown agency has wilfully or negligently omitted to collect or receive any public money belonging to the Crown;

(b) any public money was not duly accounted for and paid into the appropriate fund;

(c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;

(d) an expenditure was made for which there was no authority or which was not properly vouchered or certified;

(e) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;

(f) a special warrant authorized the payment of public money; or

(g) essential records were not maintained or the rules and procedures applied were not sufficient:

(i) to safeguard and control public money;
(ii) to effectively check the assessment, collection and proper allocation of public money; or
(iii) to ensure that expenditures were made only as authorized;

and shall call attention to any other matter connected with a department of the Government of Saskatchewan, a Crown agency or a Crown-controlled corporation that he considers should be brought to the notice of the Legislative Assembly.

(2) In the annual return made pursuant to subsection (1), the provincial auditor may:

(a) report on the work of his office and on whether, in carrying on the work of his office, he received all the information, reports and explanations he required from departments of the Government of Saskatchewan, Crown agencies or Crown-controlled corporations or their auditors; and

(b) comment on the financial statements of any department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation of which he is the auditor.

(3) Notwithstanding subsection (1), the provincial auditor is not required to report to the Legislative Assembly on any matter that he considers immaterial or insignificant.

13 The Provincial auditor may prepare a special report to the Legislative Assembly on any matter that is, in his opinion, important or urgent.

14 Notwithstanding The Tabling of Documents Act:

(a) the provincial auditor shall submit to the Speaker, as soon as is practicable, his annual report and any special report that is prepared by him pursuant to section 13; and

(b) the Speaker shall, as soon as practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

15(1) The provincial auditor shall certify, in accordance with the outcome of his examinations, all financial statements of:

(a) any funds that he is required to audit pursuant to subsection 11(1);

(b) Crown agencies;

(c) Crown-controlled corporations; and

(d) accounts not related to public money that are, by an Act, required to be examined by him.

(2) Nothwithstanding any other provision of this Act, the provincial auditor is not required to audit or report on the financial statements of a Crown agency or Crown-controlled corporation for which the Lieutenant Governor in Council or Treasury Board has appointed another auditor.

16(1) Where:

(a) the Legislative Assembly or the Standing Committee of the Legislative Assembly on Public Accounts:

i) requests the provincial auditor to perform a special assignment; and

ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor shall perform the special assignment.

(2) Notwithstanding The Tabling of Documents Act:

(a) the provincial auditor shall submit to the Speaker, as soon as is practicable, the report of any special assignment prepared pursuant to subsection (1) on the request of the Legislative Assembly; and

(b) the Speaker shall, as soon as is practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

(3) The provincial auditor shall submit to the Clerk of the Assembly a special report prepared pursuant to subsection (1) on the request of the Standing Committee of the Legislative Assembly on Public Accounts, and the clerk shall make the special report availble to the members of that committee.

(4) Where:

(a) the Lieutenant Governor in Council:

i) requests the provincial auditor to perform a special assignment; and

ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor may perform the special assignment.

(5) The provincial auditor shall submit, as soon as is practicable, a special report prepared pursuant to subsection (4) to the Lieutenant Governor in Council.

17 Whenever, in the opinion of the provincial auditor or another auditor who is appointed to undertake an audit of Crown agencies or Crown-controlled corporations, any public money or revenues or money collected or held by employees of Crown-controlled corporations have been improperly retained by any person, the provincial auditor or the other auditor, as the case may be, shall immediately report the circumstances of that case to the member of the Executive Council who is responsible for the department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation and the Minister of Finance.

18 The provincial auditor shall:

(a) cause to be examined debentures and other securities of the Government of Saskatchewan that have been redeemed;

(b) assure himself that the securities described in clause (a) have been properly cancelled; and

(c) at any time and to any extent that the Minister of Finance may require, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities.

19 On the request of the Standing Committee of the Legislative Assembly on Public Accounts, the provincial auditor and any member of his office shall attend meetings of that committee to assist that committee:

(a) in planning the agenda for its review of the public accounts, the annual report of the provincial auditor, a special report prepared pursuant to section 13 or a report prepared pursuant to subsection 16(1) on the request of the committee; and

(b) during its review of the items described in clause (a).

20(1) An audit committee, composed of not more than five persons appointed by the Lieutenant Governor in Council, is established.

(2) No Member of the Legislative Assembly is eligible to be a member of the audit committee.

(3) The Lieutenant Governor in Council shall designate one member of the audit committee as chairman.

(4) The audit committee may determine its rules of procedure.

21 On the request of the provincial auditor or the Minister of Finance, the chairman of the audit committee shall call a meeting of the audit committee to review any matter that, in the opinion of the provincial auditor or the Minister of Finance, as the case may be, should be considered by the committee.

22 The provincial auditor may give the audit committee any information that he considers appropriate to enable the audit committee to advise the Lieutenant Governor in Council on the result of any audit or examination made by him.

23 The provincial auditor shall present to the audit committee:

(a) his annual report; and

(b) any special report prepared pursuant to section 13;

before he submits the report to the Speaker.

GENERAL

24(1) The provincial auditor is entitled:

(a) to free access, at all convenient times, to:

i) all electronic data processing equipment and programs and documentation related to the electronic data processing equipment; and

ii) all files, documents and other records relating to the accounts;

of every department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person that he is required to examine or audit or with respect to which he is examining pursuant to a special assignment; and

(b) to require and receive from employees of a department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person subject to examination or audit by him any information, reports and explanations that he considers necessary for the proper performance of his duties.

(2) The provincial auditor may station in any department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or with any other person subject to examination or audit by him any employee of his office or advisor, specialist or consultant engaged pursuant to section 7 to enable him more effectively to carry out his duties, and the department, Crown agency, Crown-controlled corporation or other person subject to examination or audit shall provide the necessary office accommodation for the employee, advisor, specialist or consultant person so stationed.

25 The provincial auditor may examine any person on any matter relating to any account that is subject to an examination or audit by him, and, for the purposes of that examination, he may exercise all the powers of commissioners under The Public Inquiries Act.

26 The provincial auditor is not required to lay any audit working papers of his office before the Legislative Assembly or any committee of the Legislature.

27(1) An accountant, who is:

(a) a member in good standing of the Institute of Chartered Accountants of Saskatchewan;

(b) not employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled

corporation or the office of the provincial auditor; and

(c) appointed by the Lieutenant Governor in Council;

shall audit the accounts of the office of the provincial auditor.

(2) An auditor appointed under subsection (1) has the same powers and shall perform the same duties in relation to an audit of the office of the provincial auditor that the provincial auditor has or performs in relation to an audit performed pursuant to this Act.

(3) The auditor of the office of the provincial auditor shall submit his report to the Standing Committee of the Legislative Assembly on Public Accounts.

28 The provincial auditor may charge a reasonable fee for professional services provided by his office.

29 The provincial auditor, the employees in his office and any advisor, specialist or consultant engaged pursuant to section 7 are not liable in any action for any act done or not done or on any statement made by them in good faith in connection with any matter they are authorized or required to do under this Act.

30 The provincial auditor, any employee in his office or any advisor, specialist or consultant engaged pursuant to section 7:

(a) shall preserve secrecy with respect to all matters that come to his knowledge in the course of his employment or duties under this Act; and

(b) shall not communicate those matters to any person, other than when he is required to do so in connection with:

i) the administration of this Act;

ii) any proceedings under this Act; or

iii) any proceedings in a court of law.

31 Subject to subsection 4(4), any sums required for the

purposes of this Act are to be paid from moneys appropriated by the Legislature for the purpose.

32(1) The person appointed on the day before the coming into force of this section as provincial auditor pursuant to The Department of Finance Act, as that Act existed on the day before the coming into force of this Act, is deemed to be appointed as provincial auditor pursuant to this Act.

(2) On the day this section comes into force, the members of the public service who are employed in the office of the provincial auditor cease to be employed in the public service and each such person becomes an employee of the office of the provincial auditor at a salary of not less than that he was receiving on the day before the day this section comes into force.

33 This Act comes into force on the day The Department of Finance Act, 1983 comes into force.

POOR

QUALITY

ORIGINAL